



Matjhabeng Local Municipality
Annual Financial Statements
for the year ended 30 June 2018

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2018

General Information

Legal form of entity	An organ of state within the local sphere of government exercising executive and legislative authority.
Nature of business and principal activities	Providing municipal services, infrastructure development and furthering the interest of the local community in the Matjhabeng area, Free State Province.
The following is included in the scope of operation	Area FS184, as a high capacity local municipality, as demarcated by the Demarcation Board and indicated on the demarcated map published for FS184.
Executive Mayor	Speelman NW
Members of the Mayoral Committee	Speelman NW - Executive Mayor Direko DR - Spatial planning and land use management. Kabi M - Policy and planning Khalipha TD - Human Settlement Lushaba TB - Community Services Manase SD - Finance Mawela VE - Corporate Services Morris VR - Public Safety Radebe MC - Local Economic Development Radebe ML - Integrated Development Planning Tshopo ME - Technical Services / Infrastructure
Councillors	Badenhost MJM Badenhost HS Botha PF Chaka MS Daly A Jacobs EJ Jama BL Kabi M Khalipha TD Khetsi LE Khothule MJ Letlhake TW Liphoko SJ Macingwane TM Mafa D Mafaisa MG Mahlumba BH Malherbe C Manenye AJ Manzana NR Marais JS Masienyane MD (MPAC Chair) Masina XN Meli TS Moipatle KV Mokhomo HA Molefi M Molelekoa PMI

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General Information

Mojola NJ
Monjovo NE
Moshoeu ZS
Mosia TJ
Mphikeleli MA
Mthebere NA
Nkonka TD
Ngeobo ME
Nthako TD
Ntsebeng MH
Ntuli BN
Phofeli NM
Pholo SJ
Poo IP
Presente LN
Rakaki MM
Ramabobu BM
Ramalefane SJ
Ramatisa PT
Schlebus CJ
Sebotsa MM
Senxezi ME (Resigned: 16 May 2018)
Sephiri MJ
Sethole MA
Stofile B (Speaker)
Styger A
Talijaard SMD
Theligoane TJ
Thelingoane NE
Tlake KR
Tsatsa SJ
Tshabangu SE
Tsoaeli MS (Resigned: 26 February 2018)
Tsupa MR (Deceased: 17 February 2018)
Van Rooyen MS
Van Schalkwyk HCT

Grading of local authority

Local High Capacity Municipality (Grade 5)

Chief Finance Officer (CFO)

Panyani T

Accounting Officer

Tsoaeli T

Registered office

Civic Centre
319 Stateway
Welkom
Free State
9460

Postal address

P O Box 708
Welkom
Free State

Matjhabeng Local Municipality

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General Information

9460

Bankers

ABSA Bank Limited

Attorneys

A full list of attorneys used during the year is available at the municipal offices.

Enabling legislation

Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996)

Municipal Finance Management Act, 2003 (Act No. 56 of 2003)

Municipal Property Rates Act, 2004 (Act No. 6 of 2004)

Municipal Structures Act, 1998 (Act No. 117 of 1998)

Municipal Systems Act, 2000 (Act No. 32 of 2000)

Website

www.matjhabeng.co.za

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Matjhabeng Local Municipality

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Accounting officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour is applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable and not absolute assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 6 to 93, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018.



Tsoeli T
Municipal Manager

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2018

Accounting officer's Report

The accounting officer submits his report for the year ended 30 June 2018.

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services, infrastructure development and furthering the interest of the local community in the Matjhabeng area, Free State Province and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus (deficit) of R 1,487,119,548 and that the municipality's total assets exceed its liabilities by R1,487,119,548.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continues to procure funding for the on-going operations for the municipality.

3. Subsequent events

During a council meeting held 30 May 2018 and 30 August 2018 (2017: 31 August 2018) council resolved to write off the following amounts in respect of Irregular expenditure, Fruitless and wasteful expenditure and Unauthorised expenditure as follows:

Council certified an amount of R422,356,060 (2017: R413,701,258) incurred during the financial year as irrecoverable and to be written off as irregular expenditure.

Council certified an amount of R338,409,300 (2017: R157,128,450) incurred during the financial year as irrecoverable and to be written off as fruitless and wasteful expenditure.

Council authorised an amount of R965,932,246 (2017: R977,994,508) incurred as unauthorised expenditure during the financial year.

4. Provincial Treasury secondment

Provincial Treasury has seconded two senior employees from that Department to assist the municipality with cash management and management of payments to suppliers.

5. Accounting Officer

The accounting officer of the municipality during the year and to date of this report is as follows:

Tsoaeli T

Matjhabeng Local Municipality

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Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Inventories	9	9,980,776	6,727,272
Other receivables	10	32,503,529	24,520,409
Receivables from non-exchange transactions	11	124,233,821	123,606,074
VAT receivable	12	461,945,261	407,634,084
Receivables from exchange transactions	13	720,984,212	628,351,286
Cash and cash equivalents	14	25,850	2,768,694
		1,349,673,449	1,193,607,819
Non-Current Assets			
Investment property	2	942,630,501	943,569,451
Property, plant and equipment	3	4,429,658,365	4,474,627,747
Heritage assets	4	7,104,349	7,104,349
Other financial assets	5	299,957	332,598
Receivables from non-exchange transactions (non-current)	7	21,334	27,871
Receivables from exchange transactions (non-current)	8	225,695	276,196
		5,379,940,201	5,425,938,212
Total Assets		6,729,613,650	6,619,546,031
Liabilities			
Current Liabilities			
Employee benefit obligation	6	13,380,800	12,535,673
Bank overdraft	14	2,550,084	7,644,182
Unspent conditional grants and receipts	15	23,305,342	-
Payables from exchange transactions	17	4,679,599,625	3,781,071,808
Consumer deposits	18	39,131,537	38,320,875
		4,757,967,388	3,839,572,538
Non-Current Liabilities			
Employee benefit obligation	6	432,083,743	437,313,953
Provisions	16	52,442,967	50,390,727
		484,526,710	487,704,680
Total Liabilities		5,242,494,098	4,327,277,218
Net Assets		1,487,119,552	2,292,268,813
Accumulated surplus		1,487,119,548	2,292,268,814

* See Note 46

Matjhabeng Local Municipality

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Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	1,097,788,518	1,055,961,258
Rental of facilities and equipment	20	13,963,483	12,969,471
Commissions received	21	10,479,040	11,118,362
Other income	22	21,161,139	20,474,250
Interest received	23	179,487,578	154,335,991
Dividends received	23	17,952	14,033
Licenses and permits	39	-	79,752
Total revenue from exchange transactions		1,322,897,710	1,254,953,117
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	298,925,235	279,795,592
Transfer revenue			
Government grants & subsidies	25	541,207,273	505,354,800
Donations received	26	-	209,300,121
Fines	38	10,525,221	6,967,099
Total revenue from non-exchange transactions		850,657,729	1,001,417,612
Total revenue		2,173,555,439	2,256,370,729
Expenditure			
Employee related costs	27	(691,252,705)	(654,633,722)
Remuneration of councillors	28	(31,681,458)	(28,791,000)
Depreciation and amortisation	29	(214,017,122)	(210,591,424)
Impairment loss/ Reversal of impairments	30	(935,727)	-
Debt impairment	32	(524,615,299)	(492,051,500)
Finance costs	31	(202,260,531)	(225,560,705)
Bulk purchases	33	(953,172,366)	(893,422,074)
Contracted services	34	(179,884,624)	(167,563,593)
General expenses	35	(184,395,000)	(208,156,183)
Repairs and maintenance	40	(61,038,826)	(71,864,414)
Total expenditure		(3,043,253,658)	(2,952,634,615)
Operating deficit		(869,698,219)	(696,263,886)
Gain on disposal of assets and liabilities	2	1,576,152	-
Actuarial gain/(loss) on employee benefits	6	63,005,439	6,265,561
Fair value adjustments	36	(32,642)	1,608
		64,548,949	6,267,169
Deficit for the year		(805,149,270)	(689,996,717)

* See Note 46

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	2,912,188,419	2,912,188,419
Adjustments		
Prior year adjustments	70,077,111	70,077,111
Balance at 01 July 2016 as restated*	2,982,265,530	2,982,265,530
Changes in net assets		
Prior year adjustment	(139,718,009)	(139,718,009)
Net income (losses) recognised directly in net assets	(139,718,009)	(139,718,009)
Surplus for the year	(550,278,707)	(550,278,707)
Total recognised income and expenses for the year	(689,996,716)	(689,996,716)
Total changes	(689,996,716)	(689,996,716)
Restated* Balance at 01 July 2017	2,292,268,818	2,292,268,818
Changes in net assets		
Surplus for the year	(805,149,270)	(805,149,270)
Total changes	(805,149,270)	(805,149,270)
Balance at 30 June 2018	1,487,119,548	1,487,119,548
Note(s)		

* See Note 46

Matjhabeng Local Municipality

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Annual Financial Statements for the year ended 30 June 2018

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from customers		956,866,017	969,093,869
Grants		564,512,615	504,350,505
Interest income		1,516,387	2,207,220
Dividends received		17,952	14,033
Other receipts		48,145,763	54,147,558
		<u>1,571,058,734</u>	<u>1,529,813,185</u>
Payments			
Employee costs		(653,152,000)	(650,311,016)
Suppliers		(734,972,003)	(722,340,339)
Finance costs		(313,815)	(260,195)
		<u>(1,388,437,818)</u>	<u>(1,372,911,550)</u>
Net cash flows from operating activities	41	<u>182,620,916</u>	<u>156,901,635</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(170,249,094)	(159,530,453)
Proceeds from sale of investment property	2	2,515,101	-
Net cash flows from investing activities		<u>(167,733,993)</u>	<u>(159,530,453)</u>
Cash flows from financing activities			
Employee benefit obligation payments		(12,535,669)	(11,163,515)
Net increase/(decrease) in cash and cash equivalents		<u>2,351,254</u>	<u>(13,792,333)</u>
Cash and cash equivalents at the beginning of the year		(4,875,488)	8,916,845
Cash and cash equivalents at the end of the year	14	<u>(2,524,234)</u>	<u>(4,875,488)</u>

* See Note 46

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1,202,344,000	-	1,202,344,000	1,097,788,518	(104,555,482)	Note 56.1
Rental of facilities and equipment	30,000,000	(10,000,000)	20,000,000	13,963,483	(6,036,517)	Note 56.2
Interest received (trading)	128,855,000	-	128,855,000	177,971,191	49,116,191	Note 56.3
Licenses and permits	72,000	-	72,000	-	(72,000)	Note 56.4
Commissions received	25,000,000	(25,000,000)	-	10,479,040	10,479,040	note 56.5
Other income	178,400,000	35,000,000	213,400,000	21,161,139	(192,238,861)	Note 56.6
Interest received - investment	3,456,000	-	3,456,000	1,516,387	(1,939,613)	note 56.7
Dividends received	19,000	-	19,000	17,952	(1,048)	note 56.8
Total revenue from exchange transactions	1,568,146,000	-	1,568,146,000	1,322,897,710	(245,248,290)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	279,252,000	-	279,252,000	298,925,235	19,673,235	Note 56.9
Transfer revenue						
Government grants & subsidies	562,992,000	-	562,992,000	541,207,273	(21,784,727)	Note 56.10
Fines	20,000,000	-	20,000,000	10,525,221	(9,474,779)	Note 56.11
Total revenue from non-exchange transactions	862,244,000	-	862,244,000	850,657,729	(11,586,271)	
Total revenue	2,430,390,000	-	2,430,390,000	2,173,555,439	(256,834,561)	
Expenditure						
Employee related cost	(678,372,000)	-	(678,372,000)	(691,252,705)	(12,880,705)	Note 56.12
Remuneration of councillors	(28,539,000)	-	(28,539,000)	(31,681,458)	(3,142,458)	Note 56.13
Depreciation and amortisation	(87,000,000)	-	(87,000,000)	(214,017,122)	(127,017,122)	Note 56.14
Impairment loss/ Reversal of impairments	-	-	-	(935,727)	(935,727)	Note 56.15
Finance costs	(112,763,000)	(14,364,000)	(127,127,000)	(202,260,531)	(75,133,531)	Note 56.16
Debt impairment	(135,000,000)	-	(135,000,000)	(524,615,299)	(389,615,299)	Note 56.17
Bulk purchases	(851,493,000)	-	(851,493,000)	(953,172,366)	(101,679,366)	Note 56.18
Contracted services	(68,495,000)	(150,367,000)	(218,862,000)	(179,884,624)	38,977,376	Note 56.19
General expenses	(361,159,000)	164,731,000	(196,428,000)	(184,395,000)	12,033,000	<10%
Other (taken out of General expenses)	-	-	-	(61,038,826)	(61,038,826)	Note 56.21
Total expenditure	(2,322,821,000)	-	(2,322,821,000)	(3,043,253,658)	(720,432,658)	
Operating deficit	107,569,000	-	107,569,000	(869,698,219)	(977,267,219)	
Gain on disposal of assets and liabilities	50,000,000	-	50,000,000	1,576,152	(48,423,848)	Note 56.21
Actuarial gains/(loss) on employee benefits	-	-	-	63,005,439	63,005,439	Note 56.21
Fair value adjustments	-	-	-	(32,642)	(32,642)	Note 56.21
	50,000,000	-	50,000,000	64,548,949	14,548,949	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Deficit before taxation	157,569,000	-	157,569,000	(805,149,270)	(962,718,270)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	157,569,000	-	157,569,000	(805,149,270)	(962,718,270)	

Matjhabeng Local Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	365,000,000	-	365,000,000	9,980,776	(355,019,224)	Note 56.22
Other receivables	200,000,000	-	200,000,000	32,503,529	(167,496,471)	Note 56.23
Receivables from non-exchange transactions	-	-	-	124,233,821	124,233,821	Note 56.24
VAT receivable	-	-	-	461,945,261	461,945,261	Note 56.21
Receivables from exchange transactions	2,200,000,000	-	2,200,000,000	720,984,212	(1,479,015,788)	Note 56.24
Cash and cash equivalents	416,776,000	-	416,776,000	25,850	(416,750,150)	Note 56.25
	3,181,776,000	-	3,181,776,000	1,349,673,449	(1,832,102,551)	

Non-Current Assets

Investment property	-	-	-	942,630,501	942,630,501	Note 56.21
Property, plant and equipment	4,517,977,000	-	4,517,977,000	4,429,658,365	(88,318,635)	>10%
Heritage assets	-	-	-	7,104,349	7,104,349	Note 56.21
Other financial assets	-	-	-	299,957	299,957	Note 56.21
Receivables from non-exchange transactions (non-current)	-	-	-	21,334	21,334	Note 56.21
Receivables from exchange transactions (non-current)	-	-	-	225,695	225,695	Note 56.21
	4,517,977,000	-	4,517,977,000	5,379,940,201	861,963,201	

Total Assets

	7,699,753,000	-	7,699,753,000	6,729,613,650	(970,139,350)	
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Liabilities

Current Liabilities

Payables from exchange transactions	2,300,000,000	-	2,300,000,000	4,679,599,625	2,379,599,625	Note 56.26
Consumer deposits	-	-	-	39,131,537	39,131,537	Note 56.21
Employee benefit obligation	-	-	-	13,380,800	13,380,800	Note 56.21
Unspent conditional grants and receipts	-	-	-	23,305,342	23,305,342	Note 56.21
Bank overdraft	-	-	-	2,550,084	2,550,084	Note 56.21
	2,300,000,000	-	2,300,000,000	4,757,967,388	2,457,967,388	

Non-Current Liabilities

Employee benefit obligation	-	-	-	432,083,743	432,083,743	Note 56.21
Provisions	320,000,000	-	320,000,000	52,442,967	(267,557,033)	Note 56.27
	320,000,000	-	320,000,000	484,526,710	164,526,710	

Total Liabilities

	2,620,000,000	-	2,620,000,000	5,242,494,098	2,622,494,098	
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Net Assets

	5,079,753,000	-	5,079,753,000	1,487,119,552	(3,592,633,448)	
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Matjhabeng Local Municipality

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Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	5,079,753,000		- 5,079,753,000	1,487,119,552	(3,592,633,448)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods and services	1,280,234,000	-	1,280,234,000	-	(1,280,234,000)
Grants	552,992,000	-	552,992,000	-	(552,992,000)
Interest income	145,890,000	-	145,890,000	-	(145,890,000)
Dividends received	19,000	-	19,000	-	(19,000)
Other receipts	203,989,000	-	203,989,000	-	(203,989,000)
	2,183,124,000	-	2,183,124,000	-	(2,183,124,000)

Payments

Employee costs	(1,930,872,000)	-	(1,930,872,000)	-	1,930,872,000
Suppliers	(32,850,000)	-	(32,850,000)	-	32,850,000
Finance costs	(127,127,000)	-	(127,127,000)	-	127,127,000
	(2,090,849,000)	-	(2,090,849,000)	-	2,090,849,000

Net cash flows from operating activities	92,275,000	-	92,275,000	-	(92,275,000)
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Cash flows from investing activities

Purchase of property, plant and equipment	(156,216,000)	-	(156,216,000)	-	156,216,000
Proceeds from sale of property, plant and equipment	60,000,000	-	60,000,000	-	(60,000,000)

Net cash flows from investing activities	(96,216,000)	-	(96,216,000)	-	96,216,000
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Net increase/(decrease) in cash and cash equivalents	(3,941,000)	-	(3,941,000)	-	3,941,000
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Cash and cash equivalents at the beginning of the year	335,417,000	-	335,417,000	-	(335,417,000)
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Cash and cash equivalents at the end of the year	331,476,000	-	331,476,000	-	(331,476,000)
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The accounting policies on pages 16 to 39 and the notes on pages 40 to 93 form an integral part of the annual financial statements.

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Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period and in some cases additional information was included in the accounting policies.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The municipality used the prime interest rate at year end to discount future cash flows.

Matjhabeng Local Municipality

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Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note 16 - Provisions.

Useful lives of Property Plant and Equipment

The municipality's management determines the estimated useful lives and related depreciation charges for the Property plant and equipment. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Employee benefit obligation

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 6.

Provision for impairment of receivables

On consumer receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

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Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.4 Investment property (continued)

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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Accounting Policies

1.5 Property, plant and equipment (continued)

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Subsequent measurements:

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings and electrical infrastructure which is carried at revalued amounts being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	2 - 50 years
Transport assets	Straight line	4 - 15 years
Infrastructure	Straight line	3 - 100 years
Other movable assets	Straight line	2 - 20 years
Landfill rehabilitation assets	Straight line	8 - 20 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation commences when the asset is ready for its intended use and ceases when the asset is derecognised.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 3).

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

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Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.6 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset, such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

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Accounting Policies

1.8 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that is potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

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Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.8 Financial instruments (continued)

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial assets	Financial asset measured at fair value
Other receivables	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectability of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

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Accounting Policies

1.8 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expires, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognises the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity shall continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expired or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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Accounting Policies

1.8 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.9 Tax

Value added Tax (VAT)

The municipality accounts for VAT on cash basis. The municipality is liable to account for VAT at a standard rate (2017: 14%), 15% effective from 1 April 2018 in terms of section 7(1)(a) of the VAT Act in respect of supply of goods and services, except where the supplies are specifically zero rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality account for VAT on a monthly basis.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and building elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

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Accounting Policies

1.10 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost that the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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1.12 Impairment of cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets held with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Identification

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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1.12 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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1.13 Impairment of non-cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.14 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or

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1.14 Employee benefits (continued)

- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

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1.14 Employee benefits (continued)

Other long term employee benefit

The municipality has an obligation to provide long service benefits to all of its employees. According to the rules of the long service benefit scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long benefits are accounted for through the statement of financial performance.

1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

A contingent liability is:

- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence and non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits or services potential will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

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1.16 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

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1.17 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

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1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

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1.18 Revenue from non-exchange transactions (continued)

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.19 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.20 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.22 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or

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1.24 Irregular expenditure (continued)

- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury circular 68 which was issued in terms of sections 32 of the Municipal Finance Management Act, Act 56 of 2003 on 10 May 2013 requires the following:

Irregular expenditure that was incurred and identified during the current financial year and which was written off before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which approval for write off is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only written off in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount written off.

Irregular expenditure that was incurred and identified during the current financial year and which was not written off by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been written off and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2017 to 30/06/2018.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.26 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

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Accounting Policies

1.26 Related parties (continued)

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.28 Consumer deposits

Consumer deposits are subsequently recorded in accordance with accounting policy of trade and other payables.

1.29 Unspent conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

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1.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods.

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers definitions, preparation of separate financial statements, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers definitions, control, accounting requirements, investment entities: fair value requirement, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers definitions, significant influence, equity method, application of the equity method, separate financial statements, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

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Notes to the Annual Financial Statements

New standards and interpretations (continued)

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers definitions, joint arrangements, financial statements and parties to a joint arrangement, separate financial statements, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers definitions, disclosing information about interests in other entities, significant judgements and assumptions, investment entity status, Interests in controlled entities, interests in joint arrangements and associates, interests in structured entities that are not consolidated, non-qualitative ownership interests, controlling interests acquired with the intention of disposal, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 110 (as amended 2016): Living and Non-living Resources

Amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the amendment for the first time in the 2020 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 18 (as amended 2016): Segment Reporting

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Notes to the Annual Financial Statements

New standards and interpretations (continued)

Amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the amendment for the first time in the 2021 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

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New standards and interpretations (continued)

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence.

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the amendment for the first time in the 2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the amendment for the first time in the 2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the amendment for the first time in the 2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers definitions, identifying whether an entity is a principal or agent, accounting by a principal or agent, presentation, disclosure, transitional provisions and effective date.

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New standards and interpretations (continued)

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the amendment for the first time in the 2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date for the interpretation.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not have control over the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2020 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

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New standards and interpretations (continued)

IGRAP 19: Liabilities to Pay Levies

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and
- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2020 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

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2. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	942,630,501	-	942,630,501	943,569,451	-	943,569,451

Reconciliation of investment property - 2018

	Opening balance	Disposals	Total
Investment property	943,569,451	(938,950)	942,630,501

Reconciliation of investment property - 2017

	Opening balance	Additions	Transfers	Total
Investment property	732,286,404	209,300,121	1,982,926	943,569,451

Pledged as security

No property was pledged as security for any financial liability.

There are no contractual obligations on investment property.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Matjhabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2018	2017
2. Investment property (continued)		
Amounts recognised in surplus or deficit		
Rental revenue from Investment property	13,457,760	12,548,473
Gain on disposal of assets and liabilities		
Selling price	2,515,102	-
Cost price	(938,950)	-
	1,576,152	-

The following ervens were sold during the year as disclosed above:

- Erf 10283 Kutlwanong
- Erf 10284 Kutlwanong
- Erf 10285 Kutlwanong
- Sub 1 of erf 10707 CBD Welkom
- Remainder of Erf 19144 Thabong
- Portion 6 of remainder of Erf 165 CBD Welkom

Matjhabeng Local Municipality

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Figures in Rand

3. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Transport assets	129,143,105	(66,260,418)	62,882,687	129,143,105	(57,002,537)	72,140,568
Infrastructure	8,415,541,693	(4,201,840,765)	4,213,700,928	8,249,143,554	(4,013,104,635)	4,236,038,919
Other moveable assets	41,820,160	(27,073,226)	14,746,934	38,741,705	(21,657,636)	17,084,069
Landfill rehabilitation assets	79,660,789	(34,759,442)	44,901,347	79,926,415	(27,833,562)	52,092,853
Other property, plant and equipment # 4	135,720,027	(42,293,558)	93,426,469	135,720,027	(38,448,689)	97,271,338
Total	8,801,885,774	(4,372,227,409)	4,429,658,365	8,632,674,806	(4,158,047,059)	4,474,627,747

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Transport assets	72,140,568	-	-	(8,652,477)	(605,404)	62,882,687
Infrastructure	4,236,038,919	167,170,639	-	(189,313,580)	(195,050)	4,213,700,928
Other movable assets	17,084,069	3,078,455	-	(5,280,317)	(135,273)	14,746,934
Landfill rehabilitation assets	52,092,853	-	(265,626)	(6,925,880)	-	44,901,347
Land and buildings	97,271,338	-	-	(3,844,869)	-	93,426,469
	4,474,627,747	170,249,094	(265,626)	(214,017,123)	(935,727)	4,429,658,365

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3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Depreciation	Total
Transport assets	80,690,082	99,250	(8,648,764)	72,140,568
Infrastructure	4,274,676,603	148,191,628	(186,829,312)	4,236,038,919
Other movable assets	15,079,735	6,317,943	(4,313,609)	17,084,069
Landfill rehabilitation assets	59,143,839	(96,115)	(6,954,871)	52,092,853
Other property, plant and equipment # 4	98,177,499	2,938,708	(3,844,869)	97,271,338
	4,527,767,758	157,451,414	(210,591,425)	4,474,627,747

Pledged as security

None of these assets were pledged as security.

Other information

Property, plant and equipment that was not used for any period of time during the reporting period that significantly impacted the delivery of goods and services of the entity (carrying amount).

Transport assets - 9,467,408

A total number of 46 transport assets as disclosed above are kept locked up at the premises of a supplier of services due to alleged non-payment for services delivered to the municipality. The supplier refused access to the premises or the vehicles to municipal staff. The municipality is in a process to contest the invoices and claims of the supplier. The case is currently served in court and the list of assets is recorded on the Sheriffs records. The assets were taken by the Sherriff on 21 October 2014.

Some of these assets were released on 07 July 2017 after arrangements were made with supplier.

Reconciliation of Work-in-Progress 2018

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3. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Community	Included within Buildings	Total
Work in progress	261,386,196	86,506,093	2,938,708	350,830,997

The municipality did not have any long overdue work in progress projects that have taken significant longer periods to complete.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Expenditure incurred to repair and maintain property, plant and equipment.

Repairs and maintenance per class of asset:

Buildings	-	3,194,667
Infrastructure	-	56,865,797
Vehicles	-	11,803,950
	-	71,864,414

4. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	4,747,835	-	4,747,835	4,747,835	-	4,747,835
Mayoral chains	2,356,514	-	2,356,514	2,356,514	-	2,356,514
Total	7,104,349	-	7,104,349	7,104,349	-	7,104,349

Reconciliation of heritage assets 2018

	Opening balance	Total
Historical buildings	4,747,835	4,747,835
Mayoral chains	2,356,514	2,356,514
	7,104,349	7,104,349

Reconciliation of heritage assets 2017

	Opening balance	Total
Historical buildings	4,747,835	4,747,835
Mayoral chains	2,356,514	2,356,514
	7,104,349	7,104,349

Matjhabeng Local Municipality

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Annual Financial Statements for the year ended 30 June 2018

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4. Heritage assets (continued)

Pledged as security

None of these assets were pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

5. Other financial assets

Designated at fair value

Unlisted shares	299,957	332,598
The unlisted shares consist of 17,238(2017:17,238) equity shares in Senwes Limited and 26,435 (2017: 26,435) equity shares in Senwesbel Limited.		

Non-current assets

Designated at fair value	299,957	332,598
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Financial assets at fair value

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

Level 2

Class 1 (Unlisted shares)	299,957	332,598
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Renegotiated terms

None of the financial assets that are fully performing have been renegotiated in the last year.

Financial assets pledged as collateral

Collateral

Carrying value of financial assets pledged as collateral for liabilities or contingent liabilities.	-	-
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Matjhabeng Local Municipality

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6. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the post-employment medical aid benefit	(397,510,384)	(408,950,821)
Present value of the long service award benefit	(47,954,159)	(40,898,805)
	(445,464,543)	(449,849,626)

Non-current liabilities	(432,083,743)	(437,313,953)
Current liabilities	(13,380,800)	(12,535,673)
	(445,464,543)	(449,849,626)

These obligations are not funded arrangements and no separate assets have been set aside currently to meet these obligations.

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	449,849,626	405,964,772
Net expense recognised in the statement of financial performance	(4,385,083)	43,884,854
	445,464,543	449,849,626

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6. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Service cost	27,546,728	23,436,725
Interest cost	43,609,301	37,877,201
Actuarial (gains)/losses	(63,005,439)	(6,265,561)
Expected benefits paid	(12,535,673)	(11,163,511)
	(4,385,083)	43,884,854

Post-retirement medical aid plan

The municipality has a post-employment medical aid fund for its pensioners. The post-retirement medical aid are in accordance with Resolutions 8 of the South African Local Government Bargaining Council (SALGBC), signed on 17 January 2003, which state that an employee who retires from employment with an employer and who immediately prior to his or her retirement, enjoys the benefits of subsidy of his or her medical aid contributions by his or her employer, will continue to receive a subsidy calculated as follows.

- If the employee is 55 years or older on 1 July 2003, his or her subsidy from the employer as at the date of retirement will be 60% to a maximum amount of the norms of the cost of his or her medical aid scheme contributions as at the date immediately prior to the date of his or her retirement.
- If the employee is 50 years or older on 1 July 2003, his or her subsidy will be 50% to a maximum amount of the norms of the cost of his or her medical aid scheme contributions as at the day immediately prior to the date of his or her retirement.

The municipality makes monthly contributions for the healthcare arrangements to the following medical aid schemes:

- Bonitas
- Hosmed
- Discovery
- Key-Health
- LA Health
- Samwumed

Long Service benefits.

The municipality's liability for long service benefits relating to vested leave benefits to which employees may become entitled upon completion of five years of service and every five years thereafter. These leave benefits are in accordance with paragraph 11 of South African Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGA which was signed on July 2010.

In accordance with South African Local Government Bargaining Council (SALGBC) issued circular 1 of 2011 (issued 27 June 2011 with an effective date of 1 March 2011), specific bonuses are payable to employees for long service. Bonus are payable in the following scale:

Years of service completed	Percentage of annual salary as a bonus	Additional Leave days
> 5 Years	2%	5 days
> 10 Years	3%	10 days
> 15 Years	4%	15 days
> 20 Years	5%	15 days
> 24 - 45 Years	6%	15 days

Calculation of actuarial gains and losses

Actuarial (gains)/losses - long service	2,607,393	91,946
Actuarial (gains)/losses - medical aid	(65,612,832)	(6,357,507)
	(63,005,439)	(6,265,561)

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6. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

CPI (Medical aid)	6.14 %	6.82 %
CPI (Long service)	5.44 %	5.52 %
Discount rate (Medical aid)	9.79 %	9.94 %
Discount rate (Long service)	8.92 %	8.72 %
Medical aid inflation rate (Medical aid)	7.64 %	8.32 %
Net discount rate (Long service award)	2.33 %	2.07 %
Net discount rate (Medical aid)	2.00 %	1.50 %
Salary increase rate (Long service award)	6.44 %	6.52 %
Continuation percentage	100.00 %	100.00 %

Other assumptions

The effect of one percentage increase/decrease in the net discount rate is as follows for the 2018 financial year:

	1% point increase	1% point decrease
Employer's accrued liability (Long service awards)	51,088,680	45,119,188
Current service cost (Long service awards)	4,459,275	3,881,713
Interest cost (Long service awards)	4,389,890	3,859,087
Employer's accrued liability (Medical aid)	466,940,437	341,356,303
Current service cost (Medical aid)	26,240,393	17,727,664
Interest cost (Medical aid)	45,238,901	32,948,603

Amounts for the current and previous four years are as follows:

	2018	2017	2016	2015	2014
Defined benefit obligation	(445,464,543)	(449,849,626)	(405,964,772)	(349,773,364)	(322,410,090)

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6. Employee benefit obligations (continued)

Defined contribution plan

The municipality makes provision for post-retirement benefits to all employees and councillors, who belong to different retirement contribution plans which are administered by various pension funds, provident and annuity funds.

These plans are subject to the Pension Fund Act, 1995 (Act No. 24 of 1956) and include defined contribution plans.

The municipality is under no obligation to cover any unfunded benefits. The only obligation of the municipality is to make the specific contributions.

The following are the multi-employer funds and are defined contribution plans:

- South African Local Authorities Pension Fund (SALA)
- Free State Municipal Pension Fund (FSMPF)
- Municipal Councillors Pension Fund (MCPF)

Sufficient information was not available to use defined benefit accounting for the fund and it was accounted for as defined contribution plan due to the following reasons:

- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers;
- One set of financial statements is compiled for all the funds are not for each participating employer; and
- The same rate of contribution applies to all participating employers and no regard is paid to differences in membership distribution of the participating employers.

This is in line with the exemption in GRAP 25 paragraph 31 which state that where information is required for proper defined benefit accounting is not available in respect of the multi-employer and state plan; these should be accounted for as defined contribution plans.

The amount recognised as an expense/(income) for defined contribution plans is: (4,385,083) 43,884,854

7. Receivables from non-exchange transactions (non-current)

Consumer receivables - rates	1,090,487	1,189,037
Allowance for impairment - rates	(1,069,153)	(1,161,166)
	21,334	27,871

Receivables from non-exchange transactions pledged as security:

None of the consumer receivables were pledged as security.

Renegotiated terms:

None of the receivables that are fully performing have been renegotiated in the last year.

Fair value of receivables:

The carrying value of the consumer receivables recorded at amortised cost approximate their fair values.

Receivables from non-exchange transactions impaired:

As of 30 June 2018, receivables from non-exchange transaction (non-current) of R1 069 153 (2017: R1 133 295) were impaired and provided for.

The following factors were considered in determining the impairment:

- Aging of the outstanding debt.
- Whether or not any payment was received during the year.
- Whether the account is active or inactive.
- Whether the account is that of an owner or a tenant.

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8. Receivables from exchange transactions (non-current)		
Receivables from exchange transactions	10,428,593	9,885,935
Allowance for impairment	(10,202,898)	(9,609,739)
	225,695	276,196

Receivables from exchange transactions pledged as security:

None of the receivables from exchange transactions were pledged as security.

Renegotiated terms:

None of the receivables that are fully performing have been renegotiated in the last year.

Fair value of receivables

The carrying value of the consumer receivables recorded at amortised cost approximate their fair values.

Receivables from exchange transactions impaired:

As of 30 June 2018, receivables from exchange transaction (non-current) of R10 202 898 (2017: R9 609 739) were impaired and provided for.

The following factors were considered in determining the impairment:

- Aging of the outstanding debt.
- Whether or not any payment was received during the year.
- Whether the account is active or inactive.
- Whether the account is that of an owner or a tenant.

9. Inventories

Consumable stores	7,720,735	4,785,336
Water	2,260,041	1,941,936
	9,980,776	6,727,272

Stock loss due the theft (2017: Case number 95/02/2017). - 216,888

Inventories recognised as an expense during the year - Water purchases refer to note 33 533,251,274 468,651,889

Inventories recognised as an expense during the year - Other consumables refer to note 34.

Inventory pledged as security

None of the inventory was pledged as a security for any financial liability of the municipality.

10. Other receivables

Accrued interest	22,158	64,222
Consumer deposits receivables	5,884,740	5,884,740
Deposits	9,850	9,850
Sundry receivables	7,587,679	6,809,798
Traffic fines receivable	18,999,102	11,751,799
	32,503,529	24,520,409

Other receivables pledged as security

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10. Other receivables (continued)		
None of the other receivables were pledged as security during the year.		
Refer to prior period error note 46 for more details on the error.		
Fair value of other receivables		
The carrying value of other receivables approximate their fair values.		
Other receivables past due but not impaired		
The carrying value of other receivables approximate their fair values.		
Other receivables impaired		
As of 30 June 2018, none of the other receivables were impaired and provided for.		
The following factors were considered in determining the impairment:		
- Aging of the outstanding debt.		
- Whether or not any payment was received during the year.		
- Whether the account is active or inactive.		
- Whether the account is that of an owner or a tenant.		
11. Receivables from non-exchange transactions		
Consumer receivables - rates	342,612,455	311,218,706
Allowance for impairment - rates	(218,378,634)	(187,612,632)
	124,233,821	123,606,074
Receivables from non-exchange transactions pledged as security		
None of the receivables from non-exchange transactions were pledged as security.		
Credit quality of receivables from non-exchange transactions		
The credit quality of receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.		
Receivables from non-exchange transactions past due but not impaired		
At 30 June 2018, R14,855,065 (2017: R 7,708,429) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	530,094	317,076
2 months past due	493,231	354,016
3 months past due	13,831,740	7,037,338
Rates aging		
Current (0 -30 days)	19,198,724	18,353,268
31 - 60 days	7,969,313	8,304,823
61 - 90 days	7,143,549	7,547,819
91 days +	308,300,869	277,012,796
Less: Allowance for impairment	(218,378,634)	(187,612,632)
	124,233,821	123,606,074

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11. Receivables from non-exchange transactions (continued)

Fair value of receivables from non-exchange transactions

The carrying value of the receivables from non-exchange transactions recorded at amortised cost approximate their fair values.

Receivables from non-exchange transactions impaired:

As of 30 June 2018, receivables from non-exchange transactions of R 218,378,634 (2017: R 187,612,632) were impaired and provided for.

The following factors were considered in determining the impairment:

- Aging of the outstanding debt.
- Whether or not any payment was received during the year.
- Whether the account is active or inactive.
- Whether the account is that of an owner or a tenant.

12. VAT receivable

VAT	461,945,261	407,634,084
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Vat was rested in the prior year, refer to prior period error note 46

13. Receivables from exchange transactions

Gross balances

Electricity	279,529,365	256,439,743
Water	1,170,228,195	989,882,473
Sewerage	468,863,706	386,802,316
Refuse	305,788,780	261,249,361
Other receivables	6,258,128	3,973,078
Rentals	70,360,982	59,156,816
Sundries	104,371,642	93,419,672
Unmetered consumption - Water	46,161,763	46,575,226
Unmetered consumption - Electricity	91,458,600	73,215,306
Less: Non current consumer receivables (arrangements)	(10,428,593)	(9,885,935)
	2,532,592,568	2,160,828,056

Less: Allowance for impairment

Electricity	(158,999,550)	(141,210,727)
Water	(916,681,544)	(778,272,326)
Sewerage	(356,886,036)	(292,445,969)
Refuse	(240,276,214)	(202,356,399)
Rentals	(61,230,821)	(50,639,929)
Sundries	(82,693,381)	(74,133,423)
Other receivables	(5,043,708)	(3,027,736)
Less: Non current consumer receivables (arrangement)	10,202,898	9,609,739
	(1,811,608,356)	(1,532,476,770)

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13. Receivables from exchange transactions (continued)		
Net balance		
Electricity	120,529,815	115,229,016
Water	253,546,651	211,610,147
Sewerage	111,977,670	94,356,347
Refuse	65,512,566	58,892,962
Rentals	9,130,161	8,516,887
Sundries	21,678,261	19,286,249
Other receivables	1,214,420	945,342
Unmetered consumption - Water	46,161,763	46,575,226
Unmetered consumption - Electricity	91,458,600	73,215,306
Less: Non current consumer receivables (arrangements)	(225,695)	(276,196)
	720,984,212	628,351,286
Electricity		
Current (0 -30 days)	40,482,787	41,569,055
31 - 60 days	13,594,584	12,055,073
61 - 90 days	8,775,174	7,823,852
91 + days	216,676,820	194,991,763
Less: Impairment	(158,999,550)	(141,210,727)
	120,529,815	115,229,016
Water		
Current (0 -30 days)	28,722,293	44,561,919
31 - 60 days	35,748,335	25,449,343
61 - 90 days	23,962,650	36,447,533
91 + days	1,081,794,917	883,423,678
Less: Impairment	(916,681,544)	(778,272,326)
	253,546,651	211,610,147
Sewerage		
Current (0 -30 days)	13,948,886	12,871,708
31 - 60 days	11,341,998	13,631,524
61 - 90 days	10,952,996	8,947,181
91 + days	432,619,826	351,351,903
Less: Impairment	(356,886,036)	(292,445,969)
	111,977,670	94,356,347
Refuse		
Current (0 -30 days)	8,430,650	7,974,627
31 - 60 days	6,512,270	8,830,600
61 - 90 days	6,327,360	5,773,118
91 + days	284,518,500	238,671,016
Less: Impairment	(240,276,214)	(202,356,399)
	65,512,566	58,892,962
Rentals		
Current (0 -30 days)	3,206,478	2,715,969
31 - 60 days	1,088,104	873,003
61 - 90 days	1,058,208	858,361
91 + days	65,008,192	54,709,483
Less: Impairment	(61,230,821)	(50,639,929)
	9,130,161	8,516,887

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Figures in Rand	2018	2017
13. Receivables from exchange transactions (continued)		
Sundries		
Current (0 -30 days)	2,080,114	2,809,091
31 - 60 days	1,599,701	1,700,878
61 - 90 days	1,265,827	2,480,463
91 + days	99,426,000	86,429,240
Less: Impairment	(82,693,381)	(74,133,423)
	21,678,261	19,286,249
Other		
Current (0 -30 days)	18,122	40,516
31 - 60 days	2,075,595	17,986
61 - 90 days	8,841	15,837
91 + days	4,155,570	3,898,739
Less: Impairment	(5,043,708)	(3,027,736)
	1,214,420	945,342
Unmetered consumption - Water		
Current (0 -30 days)	46,161,762	46,575,226
Unmetered consumption - Electricity		
Current (0 -30 days)	91,458,600	73,215,306

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13. Receivables from exchange transactions (continued)		
Summary of receivables by customer classification		
Consumers		
Current (0 -30 days)	65,039,118	81,091,001
31 - 60 days	62,924,106	54,501,933
61 - 90 days	45,192,726	57,123,416
91 + days	1,997,173,320	1,671,055,537
	<u>2,170,329,270</u>	<u>1,863,771,887</u>
Less: Allowance for impairment	(1,736,170,384)	(1,474,135,709)
	434,158,886	389,636,178
Business, Industrial and Commercial		
Current (0 -30 days)	40,810,224	40,250,611
31 - 60 days	12,838,065	12,270,694
61 - 90 days	10,157,200	9,505,326
91 + days	403,463,746	349,619,113
	<u>467,269,235</u>	<u>411,645,744</u>
Less: Allowance for impairment	(262,869,105)	(225,362,417)
	204,400,130	186,283,327
Farms and agriculture		
Current (0 -30 days)	3,607,414	3,371,329
31 - 60 days	1,524,854	1,386,477
61 - 90 days	1,388,336	1,354,521
91 + days	45,864,108	33,542,855
	<u>52,384,712</u>	<u>39,655,182</u>
Less: Allowance for impairment	(40,197,264)	(29,895,793)
	12,187,448	9,759,389
Indigents		
Current (0 -30 days)	108,547	4,109
31 - 60 days	81,057	2,047
61 - 90 days	82,106	11,052
91 + days	1,987,842	1,424,978
Less: Allowance for impairment	(2,022,288)	(1,438,516)
	237,264	3,670
National and Provincial Government		
Current (0 -30 days)	6,522,750	6,176,835
31 - 60 days	2,561,818	2,699,845
61 - 90 days	2,674,239	1,896,057
91 + days	45,102,164	32,859,791
	<u>56,860,971</u>	<u>43,632,528</u>

Receivables from exchange transactions pledged as security

No consumer receivable was pledged as security for any financial liability.

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13. Receivables from exchange transactions (continued)

Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Renegotiated terms:

None of the receivables from exchange transactions that are fully performing have been renegotiated in the last year.

Fair value of receivables from exchange transactions:

The carrying value of the receivables from exchange transactions recorded at amortised cost approximate their fair values.

Receivables from exchange transactions past due but not impaired

As at 30 June 2018 consumer receivables of R 50,338,220 (2017: R 37,455,693) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	2,561,818	2,699,485
2 months past due	2,674,239	1,896,057
3 months past due	45,102,164	32,859,791

Receivables from exchange transactions impaired

As of 30 June 2018, receivables from exchange transactions of R1,821,811,254 (2017: R1,532,476,770) were impaired and provided for.

The following factors were considered in determining the impairment:

- The aging of the outstanding debt.
- Whether or not any payments were received during the year.
- Whether the account is active or inactive.
- Whether the account is that of an owner.

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand and advances	9,474	9,474
Short-term deposits	16,376	2,759,220
Bank overdraft	(2,550,084)	(7,644,182)
	(2,524,234)	(4,875,488)
Current assets	25,850	2,768,694
Current liabilities	(2,550,084)	(7,644,182)
	(2,524,234)	(4,875,488)

No restrictions have been imposed on the municipality in terms of the availability of its cash and cash equivalents for use.

The total amount of undrawn facilities available for future operating activities and commitments are as follows:

ACB mag tape debit facility	2,000,000	2,000,000
Housing guarantee	500,000	500,000
Fleet card	60,000	60,000

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14. Cash and cash equivalents (continued)

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings or historical information about counterparty default rates.

Cash and cash equivalents pledged as collateral

None of the cash and cash equivalents was pledged as collateral.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
ABSA Primary cheque account Acc no (40-5370-5465)	3,110,990	4,451,405	(482,599)	9,578	(5,130,060)	(836,542)
ABSA Market cheque account Acc no (40-5644-3399)	283,643	100,315	918,032	(2,559,661)	(2,514,123)	(1,766,943)
FNB Collection cheque account Acc no (542-3117-3409)	-	-	873,828	-	-	873,828
ABSA Savings account Acc no (91-9461-7107)	11,000	2,754,004	9,870,795	11,000	2,754,004	9,870,795
ABSA Savings account Acc no (91-0668-4115)	1,099	1,064	1,000	1,099	1,059	1,000
ABSA Savings account Acc no (91-1114-1338)	1,088	1,056	1,000	1,088	1,051	1,000
ABSA Savings account Acc no (91-0668-4238)	1,132	1,065	1,000	1,132	1,060	1,000
ABSA Savings account Acc no (91-0668-4157)	1,028	1,016	1,000	1,028	1,014	1,000
ABSA Savings account Acc no (91-2351-5666)	1,028	1,016	1,000	1,028	1,014	1,000
FNB Call account Acc no (614-0400-1177)	-	-	5,140	-	-	5,140
FNB Call account Acc no (620-0350-3019)	-	-	756,093	-	-	756,093
Total	3,411,008	7,310,941	11,946,289	(2,533,708)	(4,884,981)	8,907,371

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15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Integrated national electrification program grant (INEP)

4,117,341 -

Municipal water services infrastructure grant (MWSIG)

19,188,001 -

23,305,342 -

Movement during the year

Balance at the beginning of the year

- 1,004,295

Additions during the year

564,504,441 504,350,505

Income recognition during the year

(541,199,099) (505,354,800)

23,305,342 -

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 25 for reconciliation of grants from National/Provincial Government.

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16. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Discounting	Change in the net discount rate	Closing Balance
Rehabilitation of landfill sites	50,390,727	2,317,866	(265,626)	52,442,967

Reconciliation of provisions - 2017

	Opening Balance	Discounting	Change in the net discount rate	Closing Balance
Rehabilitation of landfill sites	49,457,418	1,029,424	(96,115)	50,390,727

Rehabilitation of landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No 28 of 2002).

Management has included the best estimated amount as the actual amount is uncertain. The payment of total closure and rehabilitation dates are uncertain.

The provision has been determined by an independent firm of consultants through investigation to determine the best estimated rehabilitation cost for the waste disposal sites at the end of its useful lives.

The discount rate used for the landfill sites is based on the risk free rate which is in line with the useful lives of the landfill sites.

The municipality has five active landfill sites, as per the asset register:

Landfill	Estimated useful lives
Allanridge	7 years (2017: 8 years)
Henneman (Phomolong)	10 years (2017: 11 years)
Odendaalsrus	22 years (2017: 23 years)
Virginia (Transfer station)	10 years (2017: 11 years)
Bronville (Welkom)	4 years (2017: 5 years)

There were no landfill sites developed, planned, rehabilitated or closed during the current or prior year.

Discount rate assumptions

The key assumptions used in the valuation, with prior year's assumptions shown for comparison, are summarised as follows:

	30 June 2018	30 June 2017	30 June 2016
Discount rate (D)	8.84 %	8.78 %	8.76 %
Consumer price inflation (CPI)	4.60 %	5.00 %	5.58 %

Movement in the closing balance of the provision

Reconciliation of landfill sites - 30 June 2018

	Opening Balance 1 July 2016	Discounting	Movement due to change in the net discount rate	Closing Balance 30 June 2018
Odendaalsrus	10,791,445	(39,092)	(129,651)	10,622,702
Bronville (Welkom)	24,449,312	1,643,905	(57,490)	26,035,727
Allanridge	5,034,551	277,337	(20,464)	5,291,424

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16. Provisions (continued)

Henneman (Phomolong)	8,062,865	347,303	(46,248)	8,363,920
Virginia (Transfer station)	2,052,554	88,413	(11,773)	2,129,194
	50,390,727	2,317,866	(265,626)	52,442,967

Reconciliation of landfill sites - 30 June 2017

	Opening Balance 1 July 2016	Discounting	Movement due to change in the net discount rate	Closing Balance 30 June 2017
Odendaalsrus	11,372,703	(535,523)	(45,735)	10,791,445
Bronville (Welkom)	23,256,849	1,214,951	(22,488)	24,449,312
Allanridge	4,871,488	170,474	(7,411)	5,034,551
Henneman (Phomolong)	7,936,096	143,094	(16,325)	8,062,865
Virginia (Transfer station)	2,020,282	36,427	(4,155)	2,052,554
	49,457,418	1,029,423	(96,114)	50,390,727

17. Payables from exchange transactions

Accrued bonus	9,337,881	8,699,634
Accrued leave pay	75,820,523	67,057,194
Deferred income - pre paid electricity	600,000	1,600,000
Deposits received - hall and facilities	15,175	15,175
Eskom	1,895,894,280	1,464,169,380
Payments received in advanced from consumer receivables	52,128,979	48,826,585
Salary control account (3rd parties)	75,411,624	42,577,765
Sedibeng Water	2,299,167,866	1,886,576,057
Trade payables	271,223,297	261,550,018
	4,679,599,625	3,781,071,808

Comparatives figures on trade payables were restated refer to note 46

18. Consumer deposits

Electricity and water	38,530,296	37,792,822
Key deposits	601,241	528,053
	39,131,537	38,320,875

Guarantees held in lieu of electricity and water deposits amounted to R 6,050,466 (2017: R 6,040,465)

Deposits are paid by consumers on application for new electricity and water connections. The deposits are repaid when the electricity and water connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account balance.

Deposits are paid by lessees on application for new rental properties of the municipality.

No interest is paid to consumers on deposits held.

The carrying value of consumer deposits approximates their fair values.

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19. Service charges		
Sale of electricity	571,437,614	556,343,610
Sale of water	317,719,704	342,295,037
Sewerage and sanitation charges	150,463,909	149,194,731
Refuse removal	98,072,835	93,709,261
Less: Income forgone - indigents	(39,905,544)	(41,396,044)
Less: Municipal utilities	-	(44,185,337)
	1,097,788,518	1,055,961,258
20. Rental of facilities and equipment		
Premises		
Rental of living quarters	13,457,760	12,548,473
Facilities and equipment		
Rental of facilities	505,723	420,998
	13,963,483	12,969,471
21. Commission received		
Commission received	10,479,040	11,118,362
22. Other income		
Connection fees	240,141	991,399
Disconnection fees	13,315,855	9,600,169
Meter fees	10,934	1,267,474
Monitoring fees	-	925,093
Services rendered	-	2,386,749
Sundry income	7,307,813	3,636,771
Sundry services	286,396	1,666,595
	21,161,139	20,474,250
23. Investment revenue		
Dividend revenue		
Unlisted shares - Local	17,952	14,033
Interest revenue		
Bank and investments	1,516,387	2,207,220
Interest charged on consumer receivables	177,971,191	152,128,771
	179,487,578	154,335,991

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24. Property rates

Rates received

Commercial	136,926,795	125,361,490
Residential	92,086,667	86,085,094
Small holdings and farms	6,629,378	8,733,892
State	63,282,395	59,615,116
	298,925,235	279,795,592

Included in property rates are income forgone. Income forgone can be defined as any income that the municipality is entitled to by law to levy, but which has subsequently been forgone by way of rebate or remission.

Valuations

Commercial	3,724,366,620	5,340,389,912
Residential	12,178,809,986	12,724,813,001
Small holdings and farms	3,210,918,110	3,231,362,480
State	1,484,200,100	1,809,671,200
Exempt	-	119,219,000
	20,598,294,816	23,225,455,593

Valuations on land and buildings are performed every four years. The last general valuation roll came into effect on 1 July 2015, and is based on market-related values. Supplementary valuations are processed when completed by the valuer annually, to take into account changes to individual property values due to alterations and subdivisions.

The first R 75,000 of the valuation of residential property is exempted from property rates.

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25. Government grants and subsidies		
Operating grants		
Equitable share	393,631,000	385,851,295
Finance management grant (FMG)	2,145,000	1,810,000
Extended public works program (EPWP)	1,008,175	1,131,000
Sector education and training authority (SETA)	1,056,440	1,199,505
Subsidies received	1,456,000	2,000,000
	399,296,615	391,991,800
Capital grants		
Municipal infrastructure grant (MIG)	136,216,000	113,363,000
Water services infrastructure grant (WSIG)	4,811,999	-
Integrated national electrification program grant (INEP)	882,659	-
	141,910,658	113,363,000
	541,207,273	505,354,800
Conditional and unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	147,576,273	119,503,505
Unconditional grants received	393,631,000	385,851,295
	541,207,273	505,354,800
Equitable share		
Current-year receipts	393,631,000	385,851,295
Conditions met - transferred to revenue	(393,631,000)	(385,851,295)
	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Municipal Infrastructure Grant (MIG)		
Current-year receipts	136,216,000	113,363,000
Conditions met - transferred to revenue	(136,216,000)	(113,363,000)
	-	-
This grant is used to supplement municipal capital budget to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor household.		
Finance Management Grant (FMG)		
Current-year receipts	2,145,000	1,810,000
Conditions met - transferred to revenue	(2,145,000)	(1,810,000)
	-	-
The purpose of this grant is to promote and support reforms to financial management and the implementation of MFMA.		
Integrated National Electrification Program (INEP)		
Current-year receipts	5,000,000	600,001
Conditions met - transferred to revenue	(882,659)	-

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25. Government grants and subsidies (continued)		
Grant withheld by National Treasury through equitable share	-	(600,001)
	4,117,341	-
Conditions still to be met - remain liabilities (see note 15).		
This grant is used to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure.		
* In terms of MFMA Circular No. 48, all conditional allocations (excluding interest earned thereon) that at year end is not utilised must revert back to National Revenue Fund unless the relevant receiving officer can prove that to the satisfaction that of the National Treasury that the unspent allocation is committed with Identifiable project.		
Energy Efficiency and Demand Side Management Program (EEDSM)		
Current-year receipts	-	404,294
Grant withheld by National Treasury through equitable share	-	(404,294)
	-	-
The purpose of this grant is to assist the municipalities to reduce their energy consumption through deployment of electricity and other energy saving measures.		
Extended Public Works Programme (EPWP)		
Current-year receipts	1,000,000	1,131,000
Conditions met - transferred to revenue	(1,000,000)	(1,131,000)
	-	-
The purpose of this grant is to subsidise municipalities to expand on work creation efforts through the use of labour intensive delivery methods in identified focus areas.		
Sector Education and Training Authority (SETA)		
Current-year receipts	1,056,441	1,199,506
Conditions met - transferred to revenue	(1,056,441)	(1,199,506)
	-	-
The purpose of this grant is to do skills development among employees and improve the auditing skills of the municipality.		
Subsidies		
Current-year receipts - CoGTA	456,000	2,000,000
Current year receipt - Provincial Treasury	1,000,000	-
Conditions met - transferred to revenue	(1,456,000)	(2,000,000)
	-	-
Cooperative Governance and Traditional Affairs paid for the professional fees based on the turnaround plan on behalf of the municipality, during the current financial year a balance of the professional fees was paid in to the municipality's bank account, Provincial Treasury paid audit fees on behalf of the municipality to the Auditor General.		
Water Services Infrastructure Grant (WSIG)		
Current-year receipts	24,000,000	-
Conditions met - transferred to revenue	(4,811,999)	-
	19,188,001	-

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25. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 15).

The purpose of this grant is to address water and sanitation challenges that come with the aging infrastructure.

* In terms of MFMA Circular No. 48, all conditional allocations (excluding interest earned thereon) that at year end is not utilised must revert back to National Revenue Fund unless the relevant receiving officer can prove that to the satisfaction that of the National Treasury that the unspent allocation is committed with Identifiable project.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 10 of 2010), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

26. Donations received

Infrastructure and investment property	- 209,300,121
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During the current financial year two properties, Merriespruit and Masimong were donated by the Department of Human Settlement and Harmony Gold Mine to the municipality.

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27. Employee related costs

Salaries	376,515,127	357,793,739
13th Cheque	26,804,303	25,216,218
Pension	55,717,418	52,280,431
Other long term employee benefits	(1,303,983)	1,910,089
Employee benefit (Medical aid)	36,746,201	29,231,458
Group life insurance	1,595,357	1,552,792
Housing allowances	3,851,834	3,664,008
Leave pay provision charge	16,019,814	11,958,399
Medical aid	38,099,241	37,359,426
Other allowances	23,479,859	25,543,063
Overtime payments	69,411,854	67,307,940
Transport allowance	35,116,366	31,489,024
UIF	3,616,269	3,661,965
SDL	5,583,045	5,665,170
	691,252,705	654,633,722

Remuneration of Municipal Manager - Lepheane MF

Annual Remuneration	-	1,769,030
Contributions to UIF, Medical and Pension Funds	-	69,660
Leave pay	-	407,050
	-	2,245,740

The Municipal Manager was placed on special leave as per the council resolution number (5/2/2)(5/1/2/1) dated 14 February 2017, his services to the municipality was officially terminated on 30 June 2017 (contract ended).

Remuneration of Municipal Manager - Tsoaeli TE

Annual Remuneration	1,503,671	1,106,985
Car Allowance	381,635	363,894
Contributions to UIF, Medical and Pension Funds	-	206,285
Leave pay	237,549	-
	2,122,855	1,677,164

The Acting Municipal Manager (Tsoaeli T) has been appointed on a full time basis as the Municipal Manager from 02 August 2017.

Remuneration of acting Chief Financial Officer - Williams LB

Annual Remuneration	647,464	693,101
Car Allowance	210,851	187,142
Contributions to UIF, Medical and Pension Funds	153,124	126,915
	1,011,439	1,007,158

Manager Budget (Williams LB) has been acting as the Chief Financial Officer from 14th February 2017 until 15 May 2017, the appointment was further extended by three months until first week of August 2017.

Remuneration of acting Chief Financial Officer - Sejake S

Annual Remuneration	684,530	-
Car Allowance	225,775	-
Contributions to UIF, Medical and Pension Funds	114,402	-
	1,024,707	-

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27. Employee related costs (continued)

Revenue Manager (Sejake S) has been acting as the Chief Financial Officer from 16 August 2017 until 15 November 2017.

Remuneration of Chief Financial Officer - Panyani T

Annual Remuneration	662,473	-
Car Allowance	221,424	-
Contributions to UIF, Medical and Pension Funds	9,493	-
	893,390	-

Chief Financial Officer (Panyani T) was appointed on full time basis from 1 December 2017.

Remuneration of Director Strategic and Support Services - Makofane TB

Annual Remuneration	1,188,685	1,189,349
Contributions to UIF, Medical and Pension Funds	37,874	37,203
	1,226,559	1,226,552

Remuneration of Director Corporate Services - Wetes FF

Annual Remuneration	1,299,753	1,219,790
Contributions to UIF, Medical and Pension Funds	62,598	60,991
	1,362,351	1,280,781

Remuneration of Director Infrastructure Services - Maswanganyi HB

Annual Remuneration	945,820	946,649
Car Allowance	245,350	240,000
Contributions to UIF, Medical and Pension Funds	43,528	42,879
	1,234,698	1,229,528

Remuneration of Director Community Services - Mogopodi MRE

Annual Remuneration	-	845,354
Car Allowance	-	83,603
Contributions to UIF, Medical and Pension Funds	-	113,389
	-	1,042,346

Director Corporate Services (Mogopodi MRE) left the services of the municipality on 28 February 2017.

Remuneration of Director Community Services - Atolo MT

Annual Remuneration	-	647,459
Car Allowance	-	216,768
Contributions to UIF, Medical and Pension Funds	-	140,899
	-	1,005,126

Senior manager Council Admin (Mr Atolo MT) has been acting as Director Community Services from 01 March 2017 to 30 May 2017.

Remuneration of Director Community Services - Molawa J

Annual Remuneration	715,231	-
Car Allowance	210,478	-

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27. Employee related costs (continued)

Contributions to UIF, Medical and Pension Funds	157,203	-
	1,082,912	-

Unit manager (Molawa J) has been acting as Director Community Services from 01 June 2017 to 30 August 2017, the appointment was further extended for three months until 30 November 2017.

Remuneration of Director Community Services - Tindleni ZK

Annual Remuneration	573,236	-
Car Allowance	77,000	-
Contributions to UIF, Medical and Pension Funds	118,883	-
	769,119	-

Director community services (Tindleni ZK) was appointed on full time basis as from 01 December 2017.

Remuneration of Director Local Economic Development & Planning - Msweli XF

Annual Remuneration	-	969,188
Car Allowance	-	77,000
Contributions to UIF, Medical and Pension Funds	-	38,919
	-	1,085,107

Director Local Economic Development & Planning (Msweli XF) left the services of the municipality on 28 February 2017.

Remuneration Director Local Economic Development & Planning - Mothekhe MMG

Annual Remuneration	694,046	639,186
Car Allowance	231,796	213,264
Contributions to UIF, Medical and Pension Funds	168,337	158,623
	1,094,179	1,011,073

Senior manager Town Planning and Housing (Mothekhe MMG) was acting as Director Local Development and Planning from 01 May 2017 to 30 May 2017, the appointment was further extended for three months ending 30 August 2017.

Remuneration of Local Economic Development & Planning - Golele KBA

Annual Remuneration	951,798	-
Car Allowance	216,000	-
Contributions to UIF, Medical and Pension Funds	13,130	-
	1,180,928	-

Head of Legal Services (Golele KBA) has been acting as Director Local Economic Development & Planning from 01 September 2017 to 30 November 2017, the appointment was extended further from 01 January 2018 until 30 June 2018.

28. Remuneration of councillors

Executive Mayor	1,060,728	1,050,798
Councillors	30,620,730	27,740,202
	31,681,458	28,791,000

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28. Remuneration of councillors (continued)

In-kind benefits

The Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has the use of separate Council owned vehicles for official duties, one full time driver and a bodyguard.

The Speaker the use of separate Council owned vehicles for official duties and one part time driver.

Details of remuneration for the year ended 30 June 2018 Name of councillor	Annual remuneration	Car allowance	Contributions to SDL, medical aid and pension funds	Total
Badenhorst MJ	270,554	76,584	3,082	350,220
Badenhorst HS	270,554	76,584	3,082	350,220
Botha PF	238,903	76,584	34,444	349,931
Chaka MS	258,114	76,584	18,346	353,044
Daly A	270,554	76,584	3,082	350,220
Direko DR	571,517	181,501	24,316	777,334
Jacobs EJ	254,978	76,584	18,346	349,908
Jama BL	44,061	12,554	512	57,127
Kabi M	532,145	181,501	59,477	773,123
Khalipha TD	576,531	181,501	24,316	782,348
Khetsi LE	256,142	76,584	18,266	350,992
Khothule MJ	254,978	76,584	18,346	349,908
Kopela MP	230,629	64,543	2,515	297,687
Letlhake TW	273,899	76,584	18,346	368,829
Liphoko SJ	266,546	76,584	7,009	350,139
Lushaba TB	569,303	181,501	23,037	773,841
Macingwane MT	254,978	76,584	18,346	349,908
Mafa DM	240,088	76,584	34,444	351,116
Mafaisa MG	238,903	76,584	34,444	349,931
Mahlumba BH	299,680	98,284	39,493	437,457
Malherbe C	270,554	76,584	3,082	350,220
Manenye AJ	254,978	76,584	18,346	349,908
Manese SD	568,024	181,501	24,316	773,841
Manzana NR	238,903	76,584	34,444	349,931
Marais JS	270,554	76,584	3,082	350,220
Masienyane MD	622,276	89,335	64,015	775,626
Masina XN	241,307	76,584	33,202	351,093
Mawela VE	537,974	181,501	53,765	773,240
Meli TS	239,391	76,584	34,444	350,419
Moipatle KSV	238,903	76,584	34,444	349,931
Mokhomo HA	302,724	98,284	39,585	440,593
Molefi M	310,296	-	39,675	349,971
Molelekoa PMI	255,466	76,584	18,346	350,396
Moloja NJ	241,940	76,584	34,444	352,968
Monjovo NE	238,903	76,584	34,444	349,931
Morris VR	622,418	181,501	24,316	828,235
Moshoeu ZS	256,142	76,584	18,346	351,072
Mosia TJ	254,978	76,585	18,346	349,909
Mphikeleli MA	315,662	98,284	23,486	437,432
Mthebere NA	261,914	76,585	11,722	350,221
Nkonka BB	238,903	76,585	34,444	349,932
Nqeobe ME	260,019	76,585	13,406	350,010
Nthako TD	255,466	76,585	18,346	350,397
Ntsebeng MH	241,552	76,585	34,444	352,581

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28. Remuneration of councillors (continued)				
Ntuli BN	255,466	76,585	18,346	350,397
Phofeli NM	253,274	76,585	20,362	350,221
Pholo SJ	240,647	76,585	34,353	351,585
Poo IP	245,084	70,565	34,776	350,425
Presente LN	270,554	76,585	3,082	350,221
Radebe MC	535,282	181,501	59,477	776,260
Radebe ML	555,863	181,501	36,332	773,696
Rakaki MM	254,978	76,585	18,346	349,909
Ramabobu BM	270,554	76,585	3,082	350,221
Ramalefane SJ	245,084	70,565	34,776	350,425
Ramatisa PT	311,479	-	38,490	349,969
Schlebus CJ	(19,962)	(6,021)	(238)	(26,221)
Sebotsa MM	238,903	76,585	34,444	349,932
Senxezi ME	254,438	76,585	20,362	351,385
Sephiri MJ	539,746	181,501	59,477	780,724
Sithole AM	252,348	76,585	20,979	349,912
Speelman NW	809,412	242,002	9,314	1,060,728
Stofile B	565,973	193,601	62,355	821,929
Styger A	270,554	76,585	3,082	350,221
Taljaard SDM	253,274	76,585	20,362	350,221
Thelingoane TJ	256,142	76,585	18,346	351,073
Thelingoane NE	238,903	76,585	34,444	349,932
Tlake KR	241,223	76,585	32,171	349,979
Tsatsa SJ	238,903	76,585	34,444	349,932
Thabangu SE	270,554	76,585	3,082	350,221
Tsopo ME	568,024	181,501	24,316	773,841
Tsoaeli MS	212,557	63,820	15,209	291,586
Tsupa MR	139,549	44,674	19,894	204,117
Van Rooyen MS	270,554	76,585	3,082	350,221
Van Rooyen KR	44,060	12,554	512	57,126
Van Schalkwyk HCT	254,978	76,585	18,346	349,909
	23,050,702	6,825,611	1,805,144	31,681,457

Details of remuneration for the year ended 30 June 2017

Name of councillor	Annual remuneration	Car allowance	Contributions to SDL, medical aid and pension funds	Total
Badenhorst MJ	240,075	72,250	2,265	314,590
Badenhorst HS	216,422	64,462	-	280,884
Banyane ME	24,026	7,502	2,265	33,793
Beneke R	24,026	7,502	2,265	33,793
Botha PF	213,672	72,250	28,490	314,412
Chaka CP	26,140	7,502	2,265	35,907
Chaka MS	267,547	-	13,248	280,795
Claasen Malherbe C	216,422	64,462	-	280,884
Dali VN	22,777	7,502	3,518	33,797
Daly A	216,422	64,462	-	280,884
De Villiers MT	24,026	7,502	2,265	33,793
Direko DR	15,971	4,076	-	20,047
Direko DR	484,969	144,049	8,640	637,658
Fanie DS	24,026	7,502	2,265	33,793
Fourie JJC	24,026	7,502	2,265	33,793
Jacobs EJ	206,287	64,462	9,935	280,684
Kabi M	36,901	11,578	4,958	53,437
Kabi ME	427,450	144,048	28,973	600,471
Khalipha TD	442,314	144,049	14,400	600,763
Khalipha TD	35,866	11,578	4,958	52,402

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28. Remuneration of councillors (continued)				
Khetsi LE	206,287	64,462	9,935	280,684
Khothule MJ	206,287	64,462	9,935	280,684
Kockera SC	22,777	7,502	3,518	33,797
Letlhake TW	208,759	64,462	7,513	280,734
Liphoko SJ	216,422	64,462	-	280,884
Lushaba TB	15,971	4,076	-	20,047
Lushaba TB	490,332	144,049	12,281	646,662
Mabote TL	24,026	7,502	2,265	33,793
Macingwane TM	207,523	64,462	8,724	280,709
Mafa MD	216,865	72,250	28,489	317,604
Mafaisa MG	198,160	64,462	18,074	280,696
Mafongozi ZV	24,026	7,502	2,265	33,793
Mahlumba BH	262,754	69,580	16,403	348,737
Mokgowe PV	23,812	7,502	3,518	34,832
Malefane DE	24,026	7,502	2,265	33,793
Manenye AJ	206,287	64,462	9,935	280,684
Manese SD	384,219	123,487	7,200	514,906
Manzana NR	202,274	64,462	13,955	280,691
Marais JS	242,384	72,250	-	314,634
Masienyane MD	54,458	17,423	6,513	78,394
Masienyane MD	15,317	5,028	1,440	21,785
Masienyane MD	464,284	86,877	40,207	591,368
Masina XN	244,968	64,462	7,513	316,943
Mawela VE	142,739	45,109	2,880	190,728
Mbambo AX	22,777	7,502	3,518	33,797
Mbana AM	14,531	4,076	1,440	20,047
Mbana AM	51,855	18,667	6,889	77,411
Mbana AM	223,345	72,498	7,200	303,043
Meli TS	215,840	72,250	27,378	315,468
Menyatso KJ	53,104	18,667	5,637	77,408
Mfebe MSE	51,855	18,667	6,889	77,411
Mholo PP	26,140	7,502	2,265	35,907
Mlangeni MG	24,026	7,502	2,265	33,793
Moipatle KV	198,160	64,462	18,074	280,696
Mokhomo HA	281,109	77,367	29,561	388,037
Mokotedi TG	24,026	7,502	2,265	33,793
Molefi M	260,500	-	21,386	281,886
Molelekoa PMI	233,249	72,250	12,201	317,700
Molelekoa PA	23,812	7,502	3,518	34,832
Molete TN	24,026	7,502	2,265	33,793
Moloja NJ	192,707	64,462	23,532	280,701
Molupe RT	22,777	7,502	3,518	33,797
Monjovo NE	214,707	72,250	28,490	315,447
Morris VR	37,981	11,578	4,958	54,517
Morris VR	442,314	144,049	14,400	600,763
Mosala MS	24,026	7,502	2,265	33,793
Moshoeu ZS	206,287	64,462	9,935	280,684
Mosia TJ	208,602	64,462	8,724	281,788
Mothege MA	25,061	7,502	2,265	34,828
Motshabi MP	53,104	18,667	5,637	77,408
Mphikeleli MA	291,796	77,367	13,272	382,435
Mthebere NA	216,422	64,462	-	280,884
Naude HJ	18,127	5,789	2,265	26,181
Ngangelizwe S	70,786	24,890	8,768	104,444
Ngesi TM	106,254	30,278	-	136,532
Nkonka BB	192,707	64,462	23,532	280,701
Nqeobo ME	93,263	27,844	-	121,107
Nqeobo ME	24,026	7,502	2,265	33,793
Nthako TD	220,930	52,884	8,724	282,538

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28. Remuneration of councillors (continued)				
Ntilele KI	24,026	7,502	2,265	33,793
Ntsebeng MH	191,267	64,462	24,972	280,701
Ntsebeng MH	51,855	18,667	6,889	77,411
Nthuli BN	206,287	64,462	9,936	280,685
Petleki KI	22,777	7,502	3,518	33,797
Phetise ME	24,891	7,502	3,518	35,911
Phofeli NM	210,662	64,462	5,760	280,884
Pholo SJ	200,089	64,462	17,977	282,528
Pina NJ	24,026	7,502	2,265	33,793
Poo IP	250,558	4,076	26,114	280,748
Presente LN	216,422	64,462	-	280,884
Qwesha GL	22,777	7,502	3,517	33,796
Radebe MC	36,901	11,578	4,958	53,437
Radebe ML	14,531	4,076	1,440	20,047
Radebe MC	419,819	144,049	37,716	601,584
Radebe ML	448,200	144,049	12,960	605,209
Radebe ML	51,855	18,667	6,889	77,411
Rakaki MM	206,287	64,462	9,935	280,684
Ramabobu BM	175,226	51,713	-	226,939
Ramalefane SJ	254,697	-	26,114	280,811
Ramatisa PT	257,114	-	23,695	280,809
Riet MI	25,061	7,502	2,265	34,828
Rubulane L	53,104	18,667	5,637	77,408
Schlebusch CJ	189,606	64,462	26,576	280,644
Sebotsa MM	220,540	41,305	18,881	280,726
Senxezi ME	207,782	64,462	8,640	280,884
Sephiri MJ	15,317	5,028	1,440	21,785
Sephiri MJ	424,957	141,681	37,716	604,354
Sephiri MJ	51,855	18,667	6,889	77,411
Sifatya Z	24,026	7,502	2,265	33,793
Sithole MA	206,287	64,462	9,935	280,684
Speelman NW	24,026	7,502	2,265	33,793
Speelman NW	740,766	205,588	-	946,354
Stofile B	543,636	184,382	44,913	772,931
Styger BA	240,075	72,250	2,265	314,590
Taliwe FE	59,720	18,667	5,637	84,024
Talijaard SDM	222,986	72,250	19,358	314,594
Thateng MJ	25,061	7,502	2,265	34,828
Thelingoane TJ	229,940	72,250	12,201	314,391
Thelingoane NE	196,924	64,462	19,313	280,699
Tlake KR	225,101	72,250	19,358	316,709
Tlhone ML	42,073	8,526	4,320	54,919
Tlhone ML	63,900	5,184	8,246	77,330
Tsatsa SJ	213,672	72,250	28,490	314,412
Tshabangu SE	216,422	64,462	-	280,884
Tshopo ME	15,971	4,076	-	20,047
Tshopo ME	450,954	144,049	5,760	600,763
Tsoaeli ME	207,753	64,462	9,935	282,150
Tsubane ME	23,812	7,502	3,518	34,832
Tsubella KS	29,249	3,758	2,642	35,649
Tsupa MR	200,505	64,462	17,973	282,940
Twala MJ	53,104	18,667	5,637	77,408
Van Rooyen MS	240,075	72,250	2,265	314,590
Van Rooyen KV	25,061	7,502	2,265	34,828
Van Schalkwyk HCT	229,940	72,250	12,201	314,391
Vanga NM	22,777	7,502	3,517	33,796
Madumise MM (Court Order)	23,875	-	-	23,875
	21,180,734	6,102,767	1,248,130	28,531,631

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Figures in Rand	2018	2017
29. Depreciation and amortisation		
Property, plant and equipment	214,017,122	210,591,424
30. Impairment of assets		
Impairments		
Property, plant and equipment	935,727	-
The condition of some assets deteriorated faster than expected.		
The main classes of assets affected by impairment losses are as follows:		
Transport assets		
Infrastructure		
Other movable assets		
31. Finance costs		
Bank	313,815	260,195
Employee benefits	43,609,301	37,877,201
Trade and other payables	156,019,549	186,393,885
Provisions	2,317,866	1,029,424
	202,260,531	225,560,705
32. Debt impairment		
Contributions to bad debt provision	524,615,299	492,051,500
Reconciliation of allowance for impairment		
Balance at the beginning of the year	(1,730,832,436)	(1,379,340,642)
Contributions to allowance	(524,615,297)	(350,487,460)
Prior period error - contributions to allowance	-	(141,564,040)
VAT provision on impairment	(20,404,844)	(189,379,045)
Prior period error - VAT provision on impairment	-	141,564,040
Debt impairment written off against the allowance	234,593,536	188,374,711
	(2,041,259,041)	(1,730,832,436)
Prior Period error on impairment:		
The prior year contribution to allowance was understated and the VAT provision on impairment was overstated, refer to prior period error note 46.		
33. Bulk purchases		
Electricity	421,072,580	424,770,185
Water	532,099,786	468,651,889
	953,172,366	893,422,074

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34. Contracted services		
Legal services	72,843,680	19,103,569
Meter reading services	44,174,536	14,118,945
Professional services	41,022,525	59,713,281
Security services	21,843,883	61,566,061
Valuation services	-	13,061,737
	179,884,624	167,563,593

Comparative figures were restated refer to note 46

35. General expenses

Advertising	5,400	4,698,442
Audit fees	6,565,556	7,181,583
Bank charges	3,911,241	3,273,312
Cleaning	4,594,618	906,057
Commission paid	3,202,212	-
Connection and disconnection of meters	464,479	11,178,089
Community development and training	3,867,990	8,765,464
Consumables	7,089,543	-
Entertainment	326,953	1,507,566
Insurance	29,497,861	27,480,548
Conferences and seminars	1,265,290	241,973
Marketing	-	130,500
Medical expenses	801,662	156,450
Motor vehicle expenses	22,400,839	61,320,766
Pest control	-	240,719
Fuel and oil	21,427,968	-
Productions	9,250	-
Postage and courier	7,242,020	-
Printing and stationery	777,477	2,706,756
Royalties and license fees	2,985,612	5,939,030
Staff welfare	1,178,430	-
Subscriptions and membership fees	4,567,909	8,662,085
Telephone and fax	8,141,668	11,283,640
Training	2,924,555	2,626,631
Subsistence and travel	4,679,421	4,561,965
Assets expensed	605,342	1,105,828
Uniforms	11,232,801	12,772,265
Sundry expense	63,877	6,468,794
Expired traffic fines	-	9,797,847
Operating cost of equipment	27,860,701	15,022,073
Chemicals	-	88,800
Other expenses	6,704,325	39,000
	184,395,000	208,156,183

36. Fair value adjustments

Other financial assets		
• Other financial assets (Designated as at FV through P&L)	(32,642)	1,608

37. Auditors' remuneration

Fees	6,565,556	7,181,583
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Figures in Rand	2018	2017
38. Fines		
Traffic fines	10,525,221	6,967,099
Comparative figures on traffic fines were restated refer to note 46		
39. Licenses and permits		
Licenses and permits	-	79,752
40. Repairs and maintenance		
Repairs and maintenance	61,038,826	71,864,414
41. Cash generated from operations		
Deficit	(805,149,270)	(689,996,717)
Adjustments for:		
Depreciation and amortisation	214,017,122	210,591,424
Loss on discontinued operations	(1,576,152)	-
Fair value adjustments	32,642	(1,608)
Finance costs - Trade and other payable	156,019,549	186,393,885
Impairment deficit	935,727	-
Debt impairment	524,615,299	492,051,500
Employee benefit obligations - current service cost	27,546,728	23,436,725
Provision raises/increased - finance cost	2,317,866	1,029,424
Donations received	-	(209,300,121)
Actuarial loss	(63,005,439)	(6,265,561)
Interest received - receivables	(177,971,191)	(152,128,771)
Finance cost - Employee benefit obligation	43,609,301	37,877,201
Changes in working capital:		
Inventories	(3,253,504)	2,327,968
Other receivables	(7,983,120)	2,538,625
Receivables from exchange transactions	(408,552,544)	(361,717,734)
Other receivables from non-exchange transactions	(31,295,199)	(4,945,256)
Payables from exchange transactions	742,508,274	750,971,016
VAT	(54,311,177)	(127,026,361)
Unspent conditional grants and receipts	23,305,342	(1,004,295)
Consumer deposits	810,662	2,070,291
	182,620,916	156,901,635

42. Financial instruments disclosure

Categories of financial instruments

2018

Financial assets

	At fair value	At cost	Total
Other receivables	-	32,503,529	32,503,529
Receivables from non exchange transactions	-	124,233,821	124,233,821
Receivables from exchange transactions	-	720,984,212	720,984,212
Cash and cash equivalents	-	25,850	25,850
Other financial assets	299,957	-	299,957
Receivables from non-exchange transactions (non-current)	-	21,334	21,334
Receivables from exchange transactions (non-current)	-	225,695	225,695

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42. Financial instruments disclosure (continued)

Financial liabilities

	At cost	Total
Payables from exchange transactions	4,679,599,625	4,679,599,625
Consumer deposits	39,131,537	39,131,537
Cash and cash equivalents (Bank overdraft)	2,550,084	2,550,084
Unspent conditional grants and receipts	23,305,342	23,305,342

2017

Financial assets

	At fair value	At cost	Total
Other receivables	-	24,520,409	24,520,409
Receivables from non-exchange transactions	-	123,606,074	123,606,074
Receivables from exchange transactions	-	628,351,286	628,351,286
Cash and cash equivalents	-	2,768,694	2,768,694
Other financial assets	332,598	-	332,598
Receivables from non-exchange transactions (non-current assets)	-	27,871	27,871
Receivables from exchange transactions (non-current)	-	276,196	276,196

Financial liabilities

	At cost	Total
Payables from exchange transactions	3,781,071,808	3,781,071,808
Consumer deposits	38,320,875	38,320,875
Cash and cash equivalents (Bank overdraft)	7,644,182	7,644,182

43. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	163,574,200	77,144,143
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Total capital commitments

Already contracted for but not provided for	163,574,200	77,144,143
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This committed expenditure relates to infrastructure projects and will be financed by available bank facilities, funds internally generated and grants received.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	-	1,236,257
- in second to fifth year inclusive	-	2,197,571
	-	3,433,828

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of three years. No contingent rent is payable.

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44. Contingencies

Several claims are in the process against the municipality, a register containing all the detail is available at the municipal offices and the nature and amount of the different litigations are as follows:

Nature of litigation	Possible rand value of claim 2018	Possible rand value of claim 2017	Number of litigations 2018	Number of litigations 2017
Civil litigations	89,045,477	42,411,478	19	14
Claims for services rendered	4,882,813	3,482,813	6	4
Conveyancing	-	-	-	1
Eviction notice	-	60,000	-	6
Interdict application	4,695,610	-	4	2
Labour related matter	3,347,490	5,892,934	5	11
Legal opinion	-	-	1	3
Motion proceedings	162,689	162,689	2	2
Public liability claim	694,690	849,134	4	5
	102,828,769	52,859,048	41	48

Contingent assets

Several claims are in the process on behalf of the municipality, a register containing all the detail is available at the municipal offices, the nature and amount of the different litigations are as follows:

Nature of litigations	Possible rand value of claim 2018	Possible rand value of claim 2017	Number of litigations 2018	Number of litigations 2017
Civil litigations	314,782	314,782	3	1
Conveyancing	-	-	3	-
Labour related matter	-	298,414	1	2
Legal opinion	-	10,343,637	2	1
Eviction notice	-	-	8	-
Interdict application	300,000	-	2	-
	614,782	10,956,833	19	4

45. Related parties

Relationships

Members of key management

Refer to note 27

Members of council

Refer to note 28

Related party transactions

Purchases from (sales to) related parties:

MBV Security	14,309,196	14,271,987
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Key management and Councillors receive and pay for services on the same terms and conditions as other rate payers. These transactions are recorded at arm's length.

Payments made to MBV Security are for security services rendered to Matjhabeng Local Municipality. The owner of MBV Security is married to a municipal employee who holds the position of Senior Manager Treasury.

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46. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

The debt impairment was overstated with VAT that was incorrectly expensed from prior years when impairment was accounted for.

The VAT receivable was overstated when VAT was calculated on the total receivables including the interest charged on receivables. The movement of VAT from prior years was not accounted for but the closing balance was accounted for in 1 year.

Traffic fine income and other receivables were restated due to traffic fines not being captured in the previous financial year.

Trade payables and contracted services were restated due to invoices not being captured.

Statement of Financial Position

2017

	Note	As previously reported	Correction of error	Restated
VAT	12	451,214,336	(43,580,252)	407,634,084
Other receivables	10	22,594,263	1,926,146	24,520,409
Payables from exchange transactions	17	(3,753,085,015)	(27,986,792)	(3,781,071,807)
		(3,279,276,416)	(69,640,898)	(3,348,917,314)

Statement of Financial Performance

2017

	Note	As previously reported	Correction of error	Restated
Debt impairment	32	(350,487,460)	(141,564,040)	(492,051,500)
Fines	38	5,040,953	1,926,146	6,967,099
Contracted services	34	(167,483,479)	(80,115)	(167,563,594)
Surplus for the year		(512,929,986)	(139,718,009)	(652,647,995)

47. Comparative figures

Prior year figures were restated due to prior period errors and reclassifications on implementation of MSCOA. Refer to note 46 prior period errors.

48. Risk management

Financial risk management

This note presents information about the municipality's exposure to each of the financial risks below and the municipality's objectives, policies and processes for measuring and managing financial risks. The Council has overall responsibility for the establishment and oversight of the municipality's risk management framework.

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48. Risk management (continued)

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an on-going review of future commitments and credit facilities.

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	4,679,599,625	-	-	-
Consumer deposits	39,131,537	-	-	-
Unspent conditional grant and receipts	23,305,342	-	-	-
Bank overdraft	2,550,084	-	-	-
		-	-	-
At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	3,781,071,808	-	-	-
Consumer deposits	38,320,875	-	-	-
Bank overdraft	7,644,182	-	-	-
		-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposit cash with major banks with high quality credit standing and limits its exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an on-going basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2018	2017
Other financial assets	299,957	332,598
Other receivables	32,503,529	24,520,409
Receivables from non-exchange transactions	124,233,821	123,606,074
Receivables from exchange transactions	720,984,212	628,351,286
Cash and cash equivalents	25,850	2,768,694
Receivables from non-exchange transactions (non-current)	21,334	27,871
Receivables from exchange transactions (non-current)	225,695	276,196

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

49. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus (deficit) of R1,487,119,548 and that the municipality's total liabilities exceed its assets by R1,487,119,548.

The municipality had a deficit of R(805,149,270) (2017: R(689,996,717)) for the year. The current liabilities exceeds the current assets by R3,408,293,939 (2017: R2,645,964,719).

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50. Events after the reporting date

During a council meeting held 30 May 2018 and 30 August 2018 (2017: 31 August 2018) council resolved to write off the following amounts in respect of Irregular expenditure, Fruitless and wasteful expenditure and Unauthorised expenditure as follows:

Council certified an amount of R422,356,060 (2017: R413,701,258) incurred during the financial year as irrecoverable and to be written off as irregular expenditure.

Council certified an amount of R338,409,300 (2017: R157,128,450) incurred during the financial year as irrecoverable and to be written off as fruitless and wasteful expenditure.

Council authorised an amount of R965,932,246 (2017: R977,994,508) incurred as unauthorised expenditure during the financial year.

51. Unauthorised expenditure

Opening balance	1,031,091,788	977,994,508
Unauthorised expenditure	862,069,039	1,031,091,788
Less: Amounts authorised by council	(965,932,246)	(977,994,508)
	927,228,581	1,031,091,788

52. Fruitless and wasteful expenditure

Opening balance	228,829,549	165,096,365
Fruitless and wasteful expenditure	167,505,705	186,771,314
Less: Amounts written off by council (prior year)	(89,994,524)	(157,128,450)
Less: Amounts written off by council (current year)	(298,414,776)	-
Prior period error	-	34,090,320
	7,925,954	228,829,549

Details of fruitless and wasteful expenditure

Eskom	155,597,264	182,169,995
Payables from exchange transactions	404,765	243,124
Late contribution on pension fund	594,651	504,904
Interest and penalties - SARS (VAT)	6,073,433	2,954,548
Interest and penalties - Compensation Commission	910,165	898,743
Interest and penalties - SARS (PAYE)	3,925,427	-
	167,505,705	186,771,314

Fruitless and wasteful expenditure includes interest and penalties charged for late payments to suppliers.

The fruitless and wasteful expenditure was investigated during the financial period by Section 32 Committee and determined to be irrecoverable and no criminal or disciplinary actions were taken.

Fruitless and wasteful expenditure amounting to R388,409,300 (2017: R157,128,450) was certified by Council to be irrecoverable and to be written off.

53. Irregular expenditure

Opening balance	338,641,378	429,171,360
Add: Irregular expenditure - current year	316,090,183	323,171,276
Less: Amounts written off by council (prior year)	(312,211,404)	(413,701,258)
Less: Amounts written off by council (current year)	(110,144,656)	-
	232,375,501	338,641,378

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53. Irregular expenditure (continued)

Analysis of expenditure awaiting write off per age classification:

Current year	205,945,527	323,171,276
Prior years	26,429,974	15,470,102
	232,375,501	338,641,378

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Non-compliance with MFMA and SCM regulations	None	316,090,183

Irregular expenditure amounting to R272,329,778.55 was investigated during the financial period by Section 32 Committee in order to comply with Section 32(2) and (4) of the MFMA.

Investigations determined that some criminal or disciplinary actions were to be taken and that some irregular expenditure can be recovered.

Irregular expenditure amounting to R110,144,565.48 was certified by council to be irrecoverable and to be written-off.

The Accounting Officer continues to establish controls to detect and prevent these types of expenditures and the municipality has adopted the use of centralised database from Treasury.

Detailed particulars of irregular expenditure is contained in the register maintained in terms of the requirements of MFMA Circular No.68.

54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to Organised Local Government (SALGA)

Opening balance	7,377,331	5,792,809
Current year subscription / fee	7,694,129	7,437,331
Amount paid - current year	(7,375,331)	(5,852,809)
Amount paid - previous years	(10,000)	-
	7,686,129	7,377,331

Being the subscription fee to the South African Local Government Association (SALGA).

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54. Additional disclosure in terms of Municipal Finance Management Act (continued)

Material losses

Distribution losses - Electricity	70,504,900	74,080,387
Distribution losses - Water	155,272,799	299,865,808
	225,777,699	373,946,195

Electricity losses

An average of 11.45% (2017: 13.25%) of bulk electricity purchased during the year was lost due to distribution losses incurred during the year.

Water losses

An average of 55.4% (2017: 51.30%) of bulk water purchased during the year was lost due to distribution losses incurred during the year.

Fraud investigations

The municipality conducted the following fraud investigations for the prior financial year:

- Case number: 527/05/2016
- Case number: 451/02/2016
- Case number: 116/08/2017

As at 30 June 2018 the following cases were still under investigation:

Case number: 451/02/2016 - Fraud by service provider

The service provider Tiro Ya Nnete Trading and projects was given official orders no. 0001047515 and 0001047593 on the 9th and 19th November 2015 for the supply and delivery of tar for an amount of R154 080.58 respectively, however the services were never rendered to the municipality despite having received payment on the 11th of November 2015 for order no. 0001047515. After a thorough investigation it was found that the service provider forged the signature of Mr. Ewan Eloff on the invoice he submitted at Supply Chain in order to receive payment fraudulently. He later came clear with his actions admitting to the fraud he had committed. The case was reported to Mr. Bokvel Pieterse to investigate and open a criminal case where necessary. It was recommended that all orders issued to this service provider be cancelled and any fraudulent payment done to be recovered from him. The Department of Public Safety and Transport would investigate the matter and open possible criminal cases. It was also recommended that the supplier be permanently removed from the Service Providers database of Matjhabeng.

Case number: 527/05/2016 - Banking details amendments

On the 13th of May 2016 payments were made to suppliers - Circle Tooling, Free State Sun and Ricmisa Trading for a total of R787 779.91. Contrary to the normal payment process, the final payment report pulls through different banking details although the payments were captured correctly on the system (Solar). After a thorough investigation it was found that there is no audit trail on cash focus to indicate that the banking details were changed or amended on ABSA cash focus. Correct banking details also appear on the IF80 report derived from Solar. It was therefore concluded that the changes could have occurred on the Z drive. Therefore it seems the payments were directed to the incorrect payees. The IT department was contacted for investigation but no information could be obtained. This case is still under investigation with the Thabong SAPS branch.

Case number: 116/08/2017 - Illegal sale of ervens

During the 2017/18 financial year the Municipal Housing Department discovered that there was a growing number of individuals alleging to have purchased sites from the municipality without council having approved sale of such ervens. The municipality launched an investigation to discover that the matter was prevalent and may be intentionally perpetuated by municipal staff. Upon discovery a case was opened with South African Police Services. The case is still under investigation.

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54. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Audit fees		
Opening balance	1,311,497	1,527,162
Current year audit fees	7,484,978	8,187,005
Interest charged	238,738	81,805
Amount paid - current year	(4,028,591)	(6,957,312)
Amount paid - previous years	(1,311,497)	(1,527,163)
Audit fees paid by Treasury	(1,000,000)	-
	2,695,125	1,311,497
PAYE, UIF and SDL		
Opening balance	8,664,918	7,829,628
Current year payroll deductions and council contributions	105,646,044	104,711,329
Amount paid - current year	(76,672,233)	(96,046,411)
Amount paid - previous years	(8,664,918)	(7,829,628)
	28,973,811	8,664,918
Pension and Medical Aid deductions		
Opening balance	13,241,948	12,410,258
Current year payroll deductions and council contributions	166,483,467	154,224,320
Amount paid - current year	(152,338,065)	(140,982,372)
Amount paid - previous years	(13,241,948)	(12,410,258)
	14,145,402	13,241,948
VAT		
VAT receivable	461,945,261	407,634,084

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54. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following councillors had arrear accounts outstanding for more than 90 days at 30 June 2018:

30 June 2018	Outstanding more than 90 days	Total
Badenhorst MJM	1,997	1,997
Chaka MS	17,896	17,896
Khothule MJ	172,324	172,324
Mafaisa MG	35,942	35,942
Mahlumba BH	12,138	12,138
Manenye AJ	40,853	40,853
Manese SD (Outstanding balance was settled before 31 August 2018)	66,195	66,195
Meli TS	18,189	18,189
Molelekoa PMI	8,447	8,447
Monjovo NE	1,204	1,204
Mthebere NA	4,752	4,752
Nthako TD	3,274	3,274
Ntsebeng MH	792	792
Pholo SJ	60,055	60,055
Ramabodu BM	30,393	30,393
Ramatisa PT	12,393	12,393
Tshabangu SE	1,016	1,016
Tsoaeli MS	31,173	31,173
	519,033	519,033
30 June 2017	Outstanding more than 90 days	Total
Badenhorst MJM	4,555	4,555
Chaka CP	23,747	23,747
Khothule MJ	132,490	132,490
Mafaisa MG	34,032	34,032
Mahlumba BH	11,691	11,691
Manenye AJ	58,033	58,033
Meli TS	21,555	21,555
Molelekoa PMI	6,053	6,053
Mthebere NA	22,281	22,281
Ngesi TM	194,816	194,816
Nthako TD	605	605
Pholo SJ	50,361	50,361
Ramatisa PT	18,038	18,038
Schlebusch CJ	9,212	9,212
Tihone ML	23,866	23,866
Tshabangu SE	1,016	1,016
	612,351	612,351

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55. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

30 June 2018

	Sole suppliers	Emergency	Impractical	Strip and quote
July 2017	146,039	1,047,362	-	-
August 2017	69,826	1,529,702	177,455	-
September 2017	-	2,225,898	70,175	-
October 2017	166,901	1,832,161	513,354	-
November 2017	22,830	3,246,143	196,650	-
December 2017	122,044	3,806,761	-	-
January 2018	-	1,399,150	24,546	255,330
February 2018	-	329,760	-	-
March 2018	-	87,719	-	-
April 2018	-	695,652	-	14,646
May 2018	-	3,179,090	2,794	360,186
June 2018	-	280,000	-	-
Subtotal	-	-	-	-
	527,640	19,659,398	984,974	630,162

30 June 2017

	Exceptional cases	Sole suppliers	Emergency
July 2016	85,932	-	2,457,349
August 2016	7,384	-	3,735,355
September 2016	10,000	-	1,949,073
October 2016	118,125	-	1,096,712
November 2016	50,000	-	1,060,665
December 2016	-	-	1,217,227
January 2017	-	-	2,721,074
February 2017	185,378	-	237,723
March 2017	80,289	-	3,431,585
April 2017	-	-	3,562,629
May 2017	-	-	918,620
June 2017	-	-	1,190,555
	537,108	-	23,578,567

56. Budget differences

Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of more than 10% are explained below:

Note 56.1 Consumption of water and electricity varies from year to year even after the effect of the increase in approved tariff is taken into account.

Note 56.2 Over budgeting of rental income during the year.

Note 56.3 Municipality anticipated high collection rate.

Note 56.4 Due to MSCOA the licence and permits were included in other income during 30 June 2018 financial year.

Note 56.5 Due to MSCOA they included commission as other income.

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56. Budget differences (continued)

Note 56.6 Over budgeting of other income.

Note 56.7 Municipality anticipate high collection rate and invest the more during the year.

Note 56.8 Share price dropped due to economic market condition.

Note 56.9 Unspent conditional grant as at year end.

Note 56.10 Expired fines as at year end written off.

Note 56.11 Municipality anticipated that the council will approve the structure and there will be no acting allowance and reduction of overtime to paid to employees.

Note 56.12 Municipality budgeted based on prior year expenditure and grading but due municipality moving from Grade 4 to Grade 5, the councillors remuneration increased.

Note 56.14 This is due to aging of the assets and additions of assets transferred from WIP to infrastructure assets.

Note 56.15 Budgeted as part of depreciation and impairments of assets, this is due to aging of assets.

Note 56.16 Municipality anticipated to pay Eskom regularly as compared to prior year. Municipality anticipated higher collection rate to service the debts with creditors.

Note 56.17 Municipality anticipated higher collection rate to decrease the accounts that might be impaired during the year.

Note 56.18 That is due to hike in Eskom tariffs and genera increase in goods and services.

Note 56.19 Over budgeting of contracted services.

Note 56.20 Municipality sold less assets more than they anticipated.

Note 56.21 Municipality did not budget for the item.

Note 56.22 Municipality over budgeted on the purchases of inventory as they wanted to implement inventory module.

Note 56.23 Over budgeting of other receivablest.

Note 56.24 Municipality did not take into account the impairment of debtors as at year end.

Note 56.25 Municipality over budgeted on cash and cash equivalent.

Note 56.26 Municipality anticipated to pay their major creditors on bulk purchases.

Note 56.27 Over budgeting of provision for landfill sites.